RECOMMENDATIONS FOR A NEW MINIMUM WAGE POLICY

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FORWARD

In her letter of February 12, 2001, Minister Becky Barrett requested that the Minimum Wage Board:

1. provide recommendations on the level of the minimum wage in Manitoba, and that in so doing it be sensitive to both the needs of workers and the ability of the economy to remain competitive.

2. address the advisability of a tip differential, a training wage, current exemptions to the minimum wage, and tying the minimum wage to an economic indicator.

As a first step in addressing this mandate, the Board invited submissions from interested parties and held a day of hearings. The submissions and presentations indicated the following:

1. There is little opposition to an increase in the minimum wage, and general consensus that the minimum wage should be tied to one or more economic indicators. But there is considerable disagreement over the size of any increase and the indicators to be used. Employer groups tend to advocate multiple indicators, to be used only as guides for determining periodic increases, while employee and social policy groups tend to advocate a fixed standard, providing for little if any political discretion, and requiring substantial increases above the current minimum wage level. Some employer groups advocate increased tax credits and a lower tax threshold as an alternative to a minimum wage increase. The Canadian Federation of Independent Business, which is the only group to explicitly oppose any minimum wage increase, is perhaps the strongest advocate of this option. But the Canadian Restaurant and Foodservices Association also supports it.

2. There is disagreement over the desirability of tipping and training differentials. Employer groups are strongly in favour, and employee groups strongly opposed.

3. There is considerable support among employee and social policy groups for eliminating current exemptions for agricultural workers, and only slight opposition among employer groups. But this possibility was not specifically identified in the advertised terms of reference, and so some groups may have been unaware that it was to be considered.

Differences in the positions of the two communities prevented the Board from reaching a consensus. This lack of consensus is reflected in the recommendations submitted by the employee and the employer representatives on the Board, and included with this report.

In both the submissions and the hearings, there was considerable disagreement over the likely economic effects of increases to the minimum wage and of the effectiveness of such increases for addressing social policy objectives. This disagreement was often centred around a number of studies that appear to undermine conventional economic wisdom as to the economic effects of minimum wage increases, and around recent research finding that minimum wage increases can represent a more effective instrument of social policy than many have believed. I therefore

decided to write a paper thoroughly reviewing and analysing the relevant literature and to attempt to obtain data relevant to the Manitoba case. The former is attached, while the latter appear as tables appended to these recommendations. My findings are as follows:

1. The literature suggests little negative consequence from minimum wage increases, but it tends to be limited in a number of respects, and as such is of only limited value for anticipating the effects of major increases to the minimum wage.

2. Although the minimum wage is often argued to be a blunt instrument for reducing poverty and inequality, it may still have important implications for these objectives. These objectives should in any case be considered secondary to the policy objectives of ensuring that the pay of low-pay workers is just, reflecting the potential value of their labour, and that it is favourable, or sufficient for them to be able to participate in their community with dignity.

3. The critical issue may be not whether to have a minimum wage that meets the dual objectives of being just and favourable, but rather how this wage is to be designed so as to minimize any negative economic effects and maximize social policy effectiveness.

These findings lead to the conclusion that it is time to adopt a "new" minimum wage policy, proceeding from fresh assumptions, yet recognizing that any such policy must be adopted with caution. The recommendations in this report, and the arguments advanced in support of them, are based on this conclusion. The key recommendations are as follows:

1. The principle of "just and favourable remuneration" should form the cornerstone of minimum wage policy and be enshrined in the legislation (recommendation 1).

2. The minimum wage should be based on an absolute, needs based standard. The Winnipeg Social Planning Council's Acceptable Living Level (A.L.L.), absent a computer allowance, should be adopted as a minimal standard for the minimum wage (recommendation 2a). However, the Statistics Canada Low Income Cut Off (LICO), adjusted downward to reflect the cost of living in Manitoba, then upward to reflect inflation, should be adopted over the long run as the "just and favourable" low pay standard (recommendation 2b). In current dollars, the former would entail a minimum wage of $6.75, the latter a minimum wage of $8.25. They should be fully implemented by October, 2002 and October, 2008, respectively (recommendations 4b and 4c).

3. There should be a sub-minimum wage equivalent to the current minimum ($6.25) for workers under 18 years of age, for tipped employees, and for employees with less than three months tenure with their employer (recommendation 3a). However, tipped employees must be assured of the higher minimum after tips are counted (recommendation 3b). Moreover, any sub-minimum should be adopted only if it is decided to move beyond the A.L.L. standard.

4. The exemption for agricultural workers should be eliminated (recommendation 3d).

The remaining recommendations are supplemental to, and largely contingent on, the above.

A draft of the full recommendations, along with both the paper and the relevant data, has been provided to and discussed with Board members. As reflected in their reports, their responses to the key recommendations have generally been as follows:

1. There is no opposition to the principle of "just and favourable remuneration."

2. The employee representatives strongly support the use of an impartial standard so that the minimum wage is no longer a matter for political discretion. They are generally agreeable to tying the minimum wage to the A.L.L. over the short run, but believe this should include a computer allowance, raising it by $0.25. They advocate an increase to $7.25 by October, 2002. They also support the proposal to move to an "adjusted LICO" standard, but believe this should be accomplished by March, 2003. The employer representatives are also generally not opposed to the A.L.L. standard, but believe that further study is needed before it can be adopted. They are even more equivocal about the adjusted LICO standard, but appear to be open to further consideration of this matter. In the interim, they recommend that the minimum wage be increased by $0.25 per year over the next three years.

3. The employer representatives' willingness to consider even the A.L.L. standard is conditional on the adoption of a sub-minimum wage for workers under 18 years of age, for tipped employees, and for employees with less than three months tenure with their employer. The employee representatives are currently opposed to any such exemptions, although there is some indication that they would be prepared to discuss them if assurances could be made as to enforceability and if such exemptions made it possible to adopt a higher general minimum than otherwise.

4. The employee representatives agree that the agricultural exemption should be eliminated. The employer representatives would like further consultation on this issue.

Both the employer and the employee representatives also have views about some of the remaining recommendations, but these do not appear to reflect strong positions or areas of contention.

The full recommendations, and the rationale for them, follow.

RECOMMENDATIONS

I. The Basis for a New Minimum Wage Policy

Two primary objectives can be associated with the minimum wage. The first is to ensure that workers (especially those at the bottom of the income hierarchy) are able to receive "just" pay given the potential productive value of their labour. The second is to ensure that adult workers are able to receive "favourable" pay, sufficient for them to attain economic independence. The principles of just and favourable remuneration are embodied in Article 23 of 1948 United Nations Declaration on Human Rights, and must be considered central to any concept of a free and equal society. Individuals who are not able to live as independent adults and participate as equals in their community are not free or equal in any meaningful sense.

Minimum wage policy can also have implications for income inequality and poverty. These implications are more significant than sometimes argued. But they represent indirect or secondary effects. The provision of just and favourable remuneration should thus form the cornerstone of minimum wage policy and hence legislation, with income inequality and poverty reduction serving as residual objectives.

Recommendation 1: The principle of just and favourable remuneration should form the cornerstone of minimum wage policy and be enshrined in the legislation.

II. In Search of a Standard

A number of different standards may be considered in establishing what constitutes just and favourable remuneration. As illustrated in table 1, a common (though somewhat oversimplified) distinction is between absolute standards, which entail calculations of need, and relative standards, which entail some percentage of average or median industrial earnings. In view of debates surrounding the minimum wage, an absolute standard is preferable, because it is more substantively based. Unless rooted in a strong national or international consensus, relative standards can appear to be arbitrary and hence may be difficult to justify.

In considering these various standards, it is also evident that some are intended to measure poverty levels, based on subsistence needs, while others are intended to measure low pay levels, based on social needs. It would be difficult to justify a minimum wage that would still leave individuals below the poverty level if they worked 40 hours per week. Regardless of actual need or of the hours actually worked, such a wage would violate any conception of just and favourable pay and would be contrary to individual freedom and dignity. Minimum wage policy should ensure that individuals earn, *at the very minimum*, a poverty level wage.

Although the definition of poverty is controversial, the federal government, in conjunction with the provinces, has sought to establish a "Market Basket Measure" of poverty. Unfortunately, this measure will not be available until 2002. However, the Winnipeg Social Planning Council and

Winnipeg Harvest have arrived at an equivalent measure, referred to as the Acceptable Living Level, or A.L.L.. This measure was calculated by tracking the expenses of low income individuals and families between July and October, 2000. It was computed to be $14,409 for a single individual, which equates to $7.14 per hour (40 hrs./wk., 52 wks./yr.) after allowing for a 3% CPI increase since the time of data collection. However, this level includes $620.00 (before tax) for computer expenses, added on after the fact. Absent these expenses, it would be $13,702 (after tax), or $6.79 per hour in current dollars. Rounded to the nearest $0.25, this suggests a minimum wage of $6.75.

The A.L.L. is attractive because it is based on a detailed -- and quite minimal -- budget (see Appendix 1). The rounded, "without computer" version is especially attractive, as it is exactly half of median hourly earnings ($13.50). It is thus consistent with three relative standards: the OECD poverty standard, the Eurostat poverty standard, and the Statistics Canada Low Income Measure. There is thus ample justification for adopting this level as at least a minimal standard.

Recommendation 2a: The "without computer" A.L.L. should be adopted as a minimal standard for the minimum wage.

To adopt the A.L.L. standard would require an 8 percent increase over the current minimum wage of $6.25. Economic research indicates that this should have virtually no negative consequence for the economy, especially as the minimum has increased by only $.25 since the last major increase, in 1999, and hence has actually declined in real dollars since that time. As indicated in tables 2 and 3, such an increase would directly affect an estimated 11.8% of the labour force, which is only 1.6% more than if the minimum was raised only $.25, and it would only raise the total wage bill for the province by an estimated 0.29%. These estimates may also contain significant upward biases, for reasons outlined in notes 4 and 5 of table 2 and observation 3 of table 4.

Increasing the minimum wage to meet the A.L.L. standard for a single individual would represent a step forward. Yet this standard represents a bare minimum. This is demonstrated by the detailed budget on which the A.L.L. for a single individual is based (see Appendix 1). For example, this budget assumes a food expenditure of only $4.34 per day, no educational or computer-related expenditures, no vehicle ownership, and a leisure expenditure of only $3.12 per day, including books, newspapers, cable, and other normal expenses.

For an individual to work full time, year round, and still earn only enough to live at a minimal poverty standard would strain anyone's notion of "favourable" or even "just." Indeed, a bare, poverty level wage could be seen as violating this notion even for those with alternative sources of support. Thus, the A.L.L. should serve as only a temporary standard, to be superseded over time by a higher, "low pay" standard. Such a standard would be sufficient to ensure that individuals who participate in the labour market on a full time basis are also able to participate as members of society outside of the workplace. This would require a minimum wage that allows for adequate discretionary expenditures, enabling individuals to do such things as attend sporting events, own a vehicle, or even take the occasional vacation.

A low pay standard is readily available: the Statistics Canada Low Income Cut-Off, or LICO. In addition to being well established in Canada as a measure of low income, social advocacy groups have long considered the LICO as the minimum necessary for social inclusion, and a number have advocated it as a basis for the minimum wage. Although conservative groups have criticized the LICO, this has been as a measure of poverty. Such criticism does not apply when the LICO is viewed as a standard for defining low income, which is what the term "low income cut-off" indeed implies.

The LICO has two potential drawbacks. First, although it varies by size of family and urban area, there is no adjustment for regional or provincial variation in the cost of living. In particular, there is only one category for cities with over 500,000 occupants, placing Winnipeg in the same category as Vancouver and Toronto. Second, new LICO calculations are released only once per year, and there is a lag from the time of data collection of a year or more.

These limitations can be addressed by adjusting the LICO downward to reflect Manitoba's lower cost of living, then adjusting it upward to reflect changes in the cost of living subsequent to the date of data collection for the most recent release. It would be up to the government to establish a specific methodology for the Manitoba adjustment. But for present purposes, the adjustment factor is set at 10%, based on CPI comparisons with other cites with populations above 500,000 and Dept. of Finance data comparing the cost of living in Manitoba to that of other provinces. (The former suggests a downward adjustment of 8%, the latter a downward adjustment of 11.5%). Adjusting the most recent (1999) LICO for a single individual in an urban area of 500,000 or more ($17,886) by this amount yields a figure of $16,097. Adjusting this figure upwards to reflect increases in the cost of living since 1999 (about 5%) yields a figure of $16,902, or $8.13 an hour for a single individual employed 40 hrs./wk., 52 weeks of the year. Rounded to the nearest $.25, the minimum wage would thus be $8.25 if the adjusted LICO standard was implemented at the present time.

This standard would represent 54% of the average hourly wage, which is still below the level reached in the 1970s (57.4%) and the 60% level advocated by the MFL, by the 1968 Croll report on poverty, and by the Minimum Wage Board throughout the 1970s. However, it has become conventional to use median rather than average hourly earnings for comparison purposes, because these are not skewed upwards by high income earners and so are a more accurate representation of what the "typical" employee earns. The adjusted LICO standard is 61% of the current median wage in Manitoba. Thus, if this criterion is substituted, the LICO is consistent with the MFL's level, with the Croll report's level, and with the traditional stated objective of the Minimum Wage Board.

The adjusted LICO standard is also identical to what the A.L.L. (without computer) standard would be if calculated for a 4 day week (i.e., 8 hr. days). It might thus be thought of as ensuring that, for every 5 days worked by a full time minimum wage worker, the first 4 are to earn enough for basic necessities, with the final day providing the discretionary income necessary to meet minimal social needs and attain a semblance of economic freedom and dignity. Thus, there is ample justification for adopting the adjusted LICO as the "just and favourable" low pay

standard. Indeed, this standard provides for a minimum wage that, in current dollars, is still approximately $1.00 lower than what it was 25 years ago. If the 1976 minimum wage had been indexed to the rate of inflation, it would be approximately $9.25 today.

Recommendation 2b: The adjusted LICO standard should be adopted as the "just and favourable" low pay standard.

To achieve the adjusted LICO standard of $8.25 would require a 22% increase over the A.L.L. standard, for a total, cumulative increase of 32%. Although economic research generally finds few negative economic effects for minimum wage increases, an increase of this magnitude implemented over a relatively short period of time is outside of the range addressed by this research and so it is difficult to predict with any confidence what the economic effects might be. As indicated in table 3, an estimated additional 10% of the workforce would be directly affected, raising the estimated total cumulative percent affected to 21.8. The additional wage bill effect could be as high as 1.72%, for an estimated total cumulative effect of 2.01%. Again, these estimates may contain significant upward biases. But they demonstrate that the potential wage bill effects of an increase of this magnitude would be substantially greater than for an increase to the A.L.L. standard.

Certain sectors and labour market groups would also be disproportionately affected. For example, an estimated 5 out of every 6 workers in the restaurant and food service sector earns $8.25 or less before tips and commissions, and this may be an under-estimate (see observation 3 of table 4). The figures are 1 out of every 2 in the retail sector, 3 out of every 5 in the garment sector, and 2 out of every 3 in the accommodations sector. Not surprisingly in view of the labour force composition of these sectors, research suggests that young and poorly educated workers are the most likely to bear the brunt of any resulting job losses.

The extent to which negative consequences could be expected is likely to be lessened depending on a variety of factors, including the extent to which: (1) labour costs represent a low percentage of total costs (e.g., under a third), (2) product demand is price inelastic, (3) "high value" work practices can be established, and (4) the production of the good or service must be close to the market, preventing employers from moving to lower cost jurisdictions. Most low pay sectors meet a number of these criteria. One possible exception is the garment sector, though new work practices may be effective in this sector, and employers in this sector may best qualify for a hardship exemption (see below). Of note, it appears that, in the manufacturing sector as a whole, only 1 in 7 workers would be affected by an increase to $8.25.

There is, however, little doubt that a substantial increase to the minimum wage *could* have significant disruptive consequences in a number of sectors if not throughout the economy as a whole. A key concern must therefore be to minimize the risk of any such consequences.

III. The Question of Exemptions

One way to reduce possible negative economic effects of the LICO standard is to exempt various categories of employee. Employers have identified three such exemptions as desirable: a youth exemption, an exemption for tipped employees, and an experience exemption. To explore whether these exemptions would matter, estimates were made of the percent of the workforce that would be affected if the following exemptions were in place, either individually or in combination: (1) workers under 18 years of age, (2) those receiving tips *and* earning above the minimum as a result, and (3) those with less than three months tenure in their current job. The assumption is that these workers would remain subject to the existing minimum wage, which would then become a sub-minimum. They would thus be exempted only from any increase above the rate inflation, not from coverage altogether.

As indicated in table 2, a minimum wage of $8.25 with all three of these exemptions would affect only an estimated 15.7% of workers (col. g), compared to 21.8% without exemptions (col. b). Of note, this is the same percentage as would be affected by a $7.25 minimum wage without any exemptions, suggesting that the exemptions are "worth" about $1.00. Introducing an additional exemption, for those working half time or less (defined here as 20 hrs. per week) and with under 6 months experience, would lower the percent affected by an additional 1.1 percent, to 14.6% (col. h).

Focusing only on the percentage of workers affected can, however, be misleading, because the higher the minimum, the higher the increase in the wage of each individual worker affected. Yet the implementation of these exemptions would still make a major difference. As indicated in table 3, the estimated wage bill effect of an increase from $6.25 to $8.25 would drop from 2.01% without these exemptions to 1.32% with them.

These exemptions can be expected to have especially significant effects in the potentially more vulnerable sectors identified earlier. The estimated proportion affected by an $8.25 minimum wage would drop from 83% to 57% in the restaurant and food services sector, from 49% to 30% in the retail sector, and from 69% to 46% in the accommodations sector. It would change little in the garment manufacturing sector, although in the manufacturing sector as a whole it would drop from 15.3 to 12.7 percent. Once again, these figures may be upwardly biased. Moreover, estimates of the effects on the wage bills and on total costs, which at the sectoral level may be most relevant, would be more illuminating. The data needed to estimate these effects should be available from Statistics Canada if deemed necessary.

A normative case can be made for all three exemptions, subject to certain caveats and restrictions. Workers under 18 years of age are legally children, and to the extent that they have income needs above the level that they are able to earn, this is a matter for social or parental assistance. A lower minimum wage for these workers may also have the beneficial effects of ensuring their employability, and might be justified on the grounds that they lack experience and maturity and are more likely quit, both of which reduce their value to employers. As for tipped employees, there is little apparent justification for raising the pay of employees whose earnings would already meet or exceed the new minimum wage after tips. The experience exemption is

somewhat more difficult to justify. However, the case can be made that it enhances the employability of those with little prior or recent experience in the type of job for which they are applying, while helping to reduce quit rates and ensuring that all labour market participants can look forward to living at or above the low pay level after just three months of employment. There is also precedent for these or similar exemptions in other jurisdictions, both within and outside of Canada.

Recommendation 3a: There should be a sub-minimum wage equivalent to the current minimum wage ($6.25) for workers under 18 years of age, for tipped employees, and for employees with less than three months tenure with their employer.

Although a sub-minimum for youth and inexperienced workers can be justified a priori, the assumption underlying the sub-minimum for tipped workers is that many of these workers already receive more than the higher minimum wage after tips. However, where this is not the case, the justification for a sub-minimum breaks down. It is therefore important that workers in this category are assured of the higher or "general" minimum.

Because tipped employees receive part of their tips in the form of cash, it will be difficult to establish whether, indeed, they have received the equivalent of the full minimum. One alternative is the British system, under which employees may keep tips received directly from customers (i.e., in cash), but indirect tips, or money collected centrally and distributed through the payroll (e.g., pooled tip systems, credit card tips, service charges) are allowable against the minimum wage. To the extent that credit and debit card use has increased, this method may capture a substantially larger portion of tips than would have been the case in the past.

Recommendation 3b: At the end of each pay period, tipped employees must be paid an average hourly rate (base pay plus indirect tips) that equals or exceeds the general minimum wage.

Two further exemptions should also be considered. The first is a "hardship" exemption for employers able to establish that the low pay standard would jeopardise their economic viability. Such an exemption could prove administratively expensive, though this could be addressed by requiring employers to negotiate the exemption with their employees, and then to simply register it with a government body. Such negotiation would require the presence of a union or, possibly, some other form of bona fide independent representation. A hardship exemption could prove especially useful in the garment manufacturing sector, which is unlikely to benefit from the other exemptions and has extensive collective bargaining coverage.

The second possibility is to expand the current exemption for disabled workers to cover "disadvantaged" workers unable to provide sufficient value-added to qualify for employment under the higher minimum wage. This would include workers with identifiable learning (e.g., F.A.S.), skill (e.g., illiteracy), or psycho-social (e.g., "at risk" students) deficits. This exemption would ideally be combined with some form of government funded wage supplementation program.

Recommendation 3c: The government should consider exemptions for "hardship" cases, provided these are negotiated with employees, and for disadvantaged (as well as disabled) labour market participants.

A number of groups of workers are at present totally exempted from the minimum wage, including baby sitters, workers in government recognized training programs, and others. Most controversial, however, has been the exemption for workers in agriculture and related occupations, as identified in section 31 of the Act. Although there may have been a time when these workers tended to be causal "hired hands" and performed a role similar to a domestic worker, this time appears to have passed. There would appear to be no obvious justification for continuing to exempt agricultural workers, and the only defense of this exemption presented to the board (by the CFIB) was that agri-businesses could find themselves at a competitive disadvantage relative to their counterparts in provinces where this exemption remains. But the competitive disadvantage argument could be made for other sectors (e.g., the garment sector) with regard to the minimum wage in general. Moreover, although other provinces may continue with an outdated exemption, one that appears to be at the expense of workers, this is not a justification for continuing with this exemption in Manitoba. It is not in the interests of the province to protect any industry that requires a portion of its labour force to earn below poverty level wages.

Only an estimated one in seven (16%) workers in this sector currently earns $6.25 or less. One in four (27%) earns $6.75 or less, and two in five (39.2%) earn $8.25 or less. But if the above exemptions were adopted, the latter two figures would drop to one in eight (13.4%) and one in four (24%), respectively. Moreover, a three month experience exemption would mean that temporary or seasonal workers would qualify only for the sub-minimum, thus addressing concerns about the implications for small, family farms at harvest time. In short, it is unlikely that removing the agricultural exemption would have appreciably negative consequences.

Recommendation 3d: The current exemption for agricultural workers should be eliminated.

IV. Implementation

The extent to which disruptive consequences are likely to result from the proposed increase are also likely to depend on how these increases are implemented. First, any such consequences are likely to be lessened to the extent that employers are provided with sufficient notice. Employer groups have suggested that this period should be six months. This would appear to be a reasonable time period.

Recommendation 4a: Employers should be given at least six months advance notice of each increase in the minimum wage.

Any disruptive consequences are also likely to be lessened to the extent that increases are implemented gradually, enabling employers and labour markets to adjust. Allowing for inflation, the A.L.L. will be roughly $7.00 by October, 2002. It can thus be achieved by a $.50 and then a

$.25 increase, spaced six months apart, with an initial six month notice. As indicated earlier, these increases are highly unlikely to have negative consequences. For present purposes, October and April can be assumed to be the months in which proposed increases would take effect.

Recommendation 4b: The A.L.L. standard should be achieved by implementing a $.50 increase in April of 2002, followed by a $.25 increase in October, 2002.

The process of moving to the adjusted LICO standard is of greater concern. It should hence be accomplished gradually, in $.25 increments, again spaced six months apart. Under this formulation, the percentage increase in the minimum wage in any 12 month period would not exceed 7.1 percent, and would diminish over time as the minimum wage increased, dropping to as low as 5.25% in the final year before the adjusted LICO was attained (see below). At current rates of increase in the CPI, the increases would, after inflation, not exceed 4.1 percent in any 12 month period, dropping to 2.25% in the final year. In addition, the wage bill effects of these increases would be substantially lessened (by about a third) if the recommended exemptions were adopted. In other words, any economic effects would be substantially lower than if these increases applied to all workers in the economy.

Recommendation 4c: Once the A.L.L. has been achieved, the government should implement increases of $.25 every six months until the adjusted LICO standard has been reached.

Assuming an annual rate of increase in this standard equivalent to the current rate of inflation (3%), the adjusted LICO standard would not be reached until October of 2008 (see table 5). As of that date, the adjusted standard would be $9.99, or $10.00 with rounding.

Once the low income standard is achieved, there will be need of a procedure to ensure that it is maintained over time. Adjustments can be made by periodically recalculating the adjusted LICO. At least one adjustment should be made per year, provided that increases in the adjusted LICO equal or exceed the equivalent of $.25 per hour.

Recommendation 4d: Once the adjusted LICO standard has been reached, future increases in the minimum wage should be based on increases in the adjusted LICO, with appropriate adjustments required at least once per year, provided that increases in the adjusted LICO equal or exceed the equivalent of $.25 per hour.

The proposal of a sub-minimum equivalent to the current minimum wage of $6.25 for some categories of workers is based on the implicit premise the relative earnings of these workers should be allowed to decline, but that their absolute earnings should not. The purchasing power of these earnings should also not be allowed to decline. There is thus need to adjust for increases in the cost of living for low income workers, based on changes in the adjusted LICO.

Recommendation 4e: The sub-minimum should be increased at the same rate (and time) as increases in the adjusted LICO standard.

In the past, the minimum wage, and hence the incomes of low paid workers, have been at the mercy of political forces. This is unfair. Workers earning the minimum wage should not be vulnerable to the political agenda of the government of the day. Any legislation establishing rigid, inflexible increases could, however, be seen to unduly tie the hands of elected officials, providing ample political justification for revoking it. There can also be little question that elected officials should exercise some discretion over the magnitude and timing of increases to the minimum wage, especially in times of economic downturn and high unemployment. In this regard, a number of possible criteria may be established that allow the government to raise the minimum by either less or more than the proposed amounts. But of these, the unemployment rate is perhaps the best indicator of labour market conditions. A simple rule would be that increases to the minimum wage could be reduced if the unemployment rate was to exceed the preceding ten year average or to increase by .5% or more over the preceding year. A further alternative would be to permit the government of the day to over-ride the mandated minimum wage increase subject to a two thirds vote in the legislature. Individually, both of these alternatives may be overly subject to political vagaries. But, in combination, they can be expected to achieve the proper balance between the need for flexibility and the need to reduce the vulnerability of the minimum wage to political forces.

Recommendation 4f: Governments should be permitted to reduce increases to the minimum wage if unemployment either exceeds the preceding ten year average or has increased by .5% over the previous 12 months, subject to a two thirds majority vote in the legislature.

The effects of all increases will need to be carefully monitored. This monitoring will be useful not only to establish whether the minimum wage is causing increased unemployment, but also, and regardless of unemployment statistics, to establish whether there have been any negative implications for employers or workers and how these might be addressed. One way of doing so is to follow wage, price, and employment developments, based on available government statistics. However, more direct data collection may be of greater value. The British Low Pay Commission has followed such an approach, surveying workplaces by mail to learn how they have been affected (see appendix), and commissioning research on specific sectors. The latter may not be feasible in Manitoba. However, the former should be.

Recommendation 4g: The implications of increases above the A.L.L. standard should be monitored directly, through workplace surveys of vulnerable sectors, as well as indirectly, through available statistics.

It will be important to provide various parties the opportunity to convey any concerns and problems pertaining to minimum wage increases to the government. There is also need of an independent body to review the effects of the minimum wage, perform the monitoring function, and, if called for, make recommendations to the government. The Minimum Wage Board represents an ideal vehicle for these purposes.

Recommendation 4h: The Minimum Wage Board should continue in its role of advising the government on minimum wage increases and, in addition to this role, perform the monitoring role recommended in this report.

V. Fostering Cooperation and Consensus

It is in the interests of all Manitobans to ensure that their fellow citizens are able to earn just and favourable pay. The main possible reason for opposing a law in support of this is that such a law could price some workers out of the labour market or cause undue harm or disruption to employers. The evidence suggests that neither is as likely as conventional economic theory assumes, and the proposals in this document are designed to minimize any such consequences. Nonetheless, there are important voices in the community who are either opposed to the minimum wage for ideological reasons or continue to believe that any increase in the minimum wage has harmful effects. Even if this were not the case, there is little question that the proposed increases could give rise to a number of, quite legitimate, concerns. It would thus be surprising if the recommendations of this report did not meet with some, possibly considerable, resistance if adopted.

If the experience with labour legislation is any guide, some groups may deem it in their interests to intentionally distort the facts and misinform the public. It is thus important that the government take considerable pains to ensure that both employers and the public are properly informed about the minimum wage and what it is likely to mean for them, and to counter any misinformation that they may receive from other sources.

Recommendation 5a: The government should take steps to ensure that both employers and the public are well informed as to the design, rationale for, and likely economic consequences of the new minimum wage policy.

Government should also try to work with employers during the implementation process, encouraging or even providing assistance of some form to employers experiencing difficulty. One particularly useful approach may be to encourage employer associations to perform this function, providing assistance through these associations. There is a growing recognition that small businesses in particular often lack sufficient expertise and resources to adapt to changes in their environment, and that employer associations have a critical -- but as yet often unfulfilled in Canada -- role to play in this regard. Encouragement of their involvement with respect to the minimum wage could help to promote this role.

Recommendation 5b: The government should consult with employer groups over the possibility of developing adjustment assistance programs for employers affected by minimum wage increases.

Even with these measures, compliance problems could develop. First, the introduction of exemptions could create a circumstance where, once workers no longer qualify for the sub-minimum, employers either dismiss them, cut back their hours, encourage them to quit, or simply refuse to pay the full minimum. These sorts of difficulties do not appear to have arisen in jurisdictions with similar exemptions. Moreover, the differential between the proposed sub-minimum and the adjusted LICO standard ($2.00) would only be achieved gradually, as increases in the general minimum outstripped increases in the sub-minimum. It can be expected

that employers would be so accustomed to moving to the general minimum once a worker qualified for it that compliance would likely remain high even once the full differential applied. Nonetheless, this differential is larger than in other jurisdictions, and it is possible that this will encourage noncompliance.

Second, the adjusted LICO standard represents a substantial jump in the minimum wage. Again, resulting compliance problems are likely to be reduced if, as recommended, this jump occurs gradually, employers become accustomed to a standard absolute increase every six months, and the percentage of the increase declines over time. But there is still reason to be concerned about noncompliance, especially if the minimum begins to exceed that of comparable jurisdictions.

Perhaps paradoxically, compliance problems are most likely in sectors benefitting from exemptions. This is not just because employers in these sectors have the most to gain from trying to avoid paying the general minimum, but also because these employers will still be the most affected by the higher minimum wage. Yet because they benefit substantially from the exemptions, these employers have a collective interest in ensuring that any provisions for a sub-minimum are not rendered unworkable and hence revoked by the government.

An "honour system" might thus be established in an attempt to minimize compliance problems. Employer associations would be expected to ensure that the law, particularly with respect to various exemptions, is respected. If it became apparent that this was not the case, then the exemptions in question and any adjustment assistance might be withdrawn. This could lessen any pressure on government resources while helping to create a normative environment conducive to compliance. Labour and community organizations might also play an important role in this process, accumulating evidence as to the extent to which minimum wage laws are being obeyed.

Recommendation 5c: The government should consult with employer, labour, and community organizations to establish an "honour system" for the enforcement of the minimum wage laws.

Even with all of these measures, wholesale adoption of the recommendations in this report could prove controversial. Indications are that employer groups will be pleased with the recommended exemptions, but displeased with the recommended level for the minimum wage. In contrast, employee and social advocacy groups will be pleased with the recommended level, yet displeased with the recommended exemptions. It may be in the public interest to subject these recommendations to public scrutiny and hold hearings to receive further input. This would be the task of the Minimum Wage Board for the following year.

It is for the government to decide if an extended consultation process is likely to be of value. However, should it decide to pursue this option, there will be need to implement an interim increase in the minimum wage. In this regard, the government might consider a two stage strategy, implementing the A.L.L. standard as recommended in this report (recommendations 2a and 4b) as the first stage, and leaving the remaining recommendations for the second stage.

Recommendation 5d: The government should consider the possibility of addressing the preceding recommendations in two stages, the first of which would entail adoption of the A.L.L. standard in accordance with recommendations 2a and 4b, the second of which would entail adoption of the remainder of these recommendations (in possibly altered form).

The adoption of this strategy would mean that the exemptions sought by employers would not be adopted in the first stage. There would be little a priori economic case for doing otherwise. However, this would mean that, if the proposed exemptions were subsequently adopted, the sub-minimum would be $7.00 rather than $6.25. Any economic effects of increases in the minimum wage would thus, potentially, be greater than otherwise. One way to address this would be to freeze subsequent increases to the sub-minimum until the original proposed differential ($2.00 in current dollars) is restored. This could prove unpopular among some groups, but would have the consequence of "front loading," or increasing the impact of the stage one increases and lowering the impact of the stage two increases, at least until October of 2006, when the differential would be fully restored (assuming a 3% rate of increase in the adjusted LICO). This would be desirable, because the economic effects of the former are still likely to be negligible, while any economic effects of the latter are likely to be reduced.

Recommendation 5e: If the two stage strategy is adopted, there should be a freeze on second stage increases to the sub-minimum until a $2.00 (in current dollars) differential is achieved.

VI. Beyond a Just and Favourable Minimum Wage?

There is reason to believe that a higher minimum wage can have positive economic as well as social effects. But for these effects to occur, complementary policies need to be put in place. In this regard, minimum wage policy is in itself a limited tool for achieving a number of work-related policy objectives and should be coordinated with other policy initiatives related to the social welfare. In a world where the traditional separation between work and family life has become increasingly blurred, this more comprehensive approach is essential. Such an approach, however, requires better information than is now readily available on the linkages between work and the social welfare, and, more important, on how government, union, and employer policies affect this linkage. Gathering this information would include evaluation of practices and developments in other provinces and nations, but it would also include monitoring and assessing related policy developments within the province of Manitoba. It would have relevance beyond the province of Manitoba and could be seen as consistent with federal government attempts to stimulate research on the "new economy." Thus, it may be possible to pursue some form of joint funding arrangement.

Recommendation 6: The provincial government should consider establishing or providing support for an institute for the study of public policy, work, and welfare in the new economy.

Table 1

Alternative Standards for Setting the Minimum Wage

Absolute Standards

a) 2000 Fraser Institute standard ($10,000/yr.), 40 hrs/wk. = $4.81 ($4.95) = $4.75 ($5.00)

b) 2000 A.L.L., with computer ($14,409/yr.), 40 hrs/wk = $6.93 ($7.14) = $7.00 ($7.25)

c) 2000 A.L.L. without computer ($13,702/yr.), 40 hrs/wk = $6.59 ($6.79) = $6.50 ($6.75)

d) 1999 LICO ($17,886/yr.), 40 hrs/wk = $8.60 ($9.03) = $8.50 ($9.00)

e) 1999 LICO ($17,886/yr.) less 10% (MB adjust.), 40 hrs/wk = $7.74 (8.13) = $7.75 ($8.25)

Relative Standards

f) OECD and Eurostat poverty line = 50% of median earnings[1] = $6.75

g) Statistics Canada Low Income Measure (LIM) = 50% of median earnings = $6.75

h) Council of Europe low income level = 68% of median earnings = $9.28 = $9.25

i) Croll Report (1968) poverty standard = 60% of average earnings[2] = $9.23 = $9.25

j) MFL recommended minimum = 60% of average earnings[2] = $9.23 = $9.25

NB. All estimates are rounded to the nearest $.25. Estimates in brackets are adjusted to allow for inflation and hence represent current (Sept., 2001) dollars.

1. Median hourly earnings in Manitoba are assumed to be $13.50, which is the LFS estimate for the year 2000, adjusted upward by 3% to allow for price increases.

2. Average hourly earnings in Manitoba are assumed to be $15.38, which is the LFS estimate for the year 2000, adjusted upward by 3% to allow for price increases.

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Table 2

The Percentage of the Workforce Affected by Alternative Min. Wage Levels, With and Without Possible Exemptions[1,2]

(a) earnings categories 2000 (2001)[3,4]	(b) no exempts[5]	(c) tips exempt	(d) under 18 exempt	(e) under 3 mos. exempt	(f) under 3 mos. f.t. & 6 mos. p.t. exempt	(g) c, d & e exempt	(h) c, d & f exempt
$6.25 ($6.50) or less	10.2	6.3	8.1	9.2	8.7	4.0	3.5
$6.50 ($6.75) or less	11.8	8.9	9.6	10.8	10.1	6.7	6.0
$6.75 ($7.00) or less	12.6	9.9	9.7	11.2	10.1	7.3	5.6
$7.00 ($7.25) or less	15.7	13.4	12.4	13.9	13.0	9.5	8.6
$7.25 ($7.50) or less	16.1	14.0	12.8	14.3	13.4	10.1	9.2
$7.50 ($7.75) or less	18.3	16.4	14.8	16.2	15.2	12.0	11.0
$7.75 ($8.00) or less	18.9	17.0	15.3	16.8	15.8	12.7	11.7
$8.00 ($8.25) or less	21.8	20.4	18.0	19.4	18.3	15.7	14.6
$8.25 ($8.50) or less	22.6	21.3	18.8	20.1	19.0	16.8	15.7

Notes:

1) All data in this table are obtained the Labour Force Survey (LFS) for the year 2000, and pertain to Manitoba only. Due to limitations to the LFS, all estimates in this table should be considered as rough approximations.

2) The data in this table only indicate the percent of workers that would be affected by alternative minimum wage levels, with and without various possible exemptions. They do not allow for the relative magnitude of wage increases associated with each alternative or their implications for the provincial wage bill. See table 3.

3) The data in this table are the annual averages for Manitoba in the year 2000. It would be reasonable to assume that workers earning a given wage in mid-2000 would be earning roughly $.25 more as of mid-2001. Thus, e.g., the figures provided for $6.25 or less in 2000 (when the minimum wage was still $6.00) would probably be similar to those provided for $6.50 or less in a 2001 version of this data set (when the minimum wage became $6.25), other things equal.

4) The categories are slightly mis-specified. They should be 1 cent lower in order to accurately capture the percent of workers likely to be covered by a given wage. For example, to estimate the percent of workers affected by an increase to $7.00, the earnings category should be $6.99 or less, not $7.00 or less. This could be important if there is a tendency for wage levels to cluster at round numbers (i.e., $6.75, $7.00, etc.).

5) The LFS hourly pay data are *inclusive* of tips and commissions. Thus, e.g., the percent of the labour force estimated to be at or below $6.25 does not include those who receive a fixed hourly wage in this category yet, because of tips and commissions, earn more than this. There is little solid basis in the LFS data for estimating what proportion of the labour force such workers comprise. However, the LFS data indicate that 8 percent of the labour force receives tips or commissions. For estimation purposes, it can be assumed that half of these workers receive a fixed wage that is at or below each wage category in this table (a third are in restaurant and food services, where virtually all can be assumed to receive low fixed pay levels). Thus, the figures in column (b) are calculated by adding 4% to the percent reporting at or below each wage category, minus the percent of the labour force who receive tips or commissions yet still earn less than this category (with tips). For example, 13.4% earn $7.00 or less *after* tips and commissions, and 1.7% earn this amount *and* receive tips or commissions. The estimated total earning 7.00 or less before tips and commissions, and hence likely to be directly benefitted by a minimum wage increase to this level, is 13.4 + 4 - 1.7 = 15.7%. This is the "no exempts" calculation (col. b). The "tips exempt" calculation (col. c) indicates the percent of workers likely to benefit if those with tips and earning above a given minimum are exempted (i.e., not covered). Thus, at the $7.00 level, the figure would be 15.7 - 4 + 1.7 = 13.4%.

NB. Due to the crudeness of the tipped employees estimate, the figures in this table may (with the exception of cols. c, g, and h) systematically over- or under-estimate the percentage of workers likely to be affected by a given alternative by as much as one or two percent. There is also reason to believe that the amount received through tips and commissions is under-reported in the LFS data (see table 4, observation 3). However, these figures can still be considered useful for comparative purposes, i.e., to explore the extent to which different alternatives can be expected to have different implications.

Some Observations (General Sample)

1) It is noteworthy that the percentage of workers earning a given level or less (col. a) jumps at the 7.00 and 8.00 levels, suggesting that employers are more likely to set wages to "round" numbers. There are three possible reasons for this: (1) labour market imperfections mean that employers have considerable discretion in setting wages and cannot establish the implications of specific wage levels, selecting round numbers because they are "easy", (2) round numbers have symbolic importance to workers and hence positively affect employee quality, morale, and retention, (3) respondents to the LFS who are asked about the earnings of other household members (i.e., "proxy" respondents) lack precise information and hence provide "guesstimates" using round numbers.

2) The various possible exemptions are equivalent to about $1.00's difference in the percentage of workers covered at different wage levels. For example, a 7.00 minimum wage without exemptions (col. a) covers about the same number of workers as an $8.00 minimum with full exemptions (col. g). This is not, however, to suggest that any economic effects would be identical. On the one hand, the excluded categories tend to be the most vulnerable workers, so

the $8.00 minimum may have smaller effects. Yet because the $8.00 minimum implies a larger increase for those workers affected, its total effect on the provincial wage bill would be greater.

3) Additional exemptions might be considered. For example, a number of OECD countries have lower minimum wages for workers up to 21 yrs. of age. If combined with the exemptions allowed for in this table, such an exemption could be expected to substantially reduce the estimates in cols. g and h. Such exemptions would, however, be difficult to justify.

Table 3

The Wage Bill Implications of Alternative Min. Wage Levels, With and Without Possible Exemptions

(a) alternative minimum wage levels 2000 (2001)[2]	no exemptions			age, tip, & experience exemptions[1]		
	(b) % of workers affected[3]	(c) relative magnitude[4]	(d) wage bill % increase[5,6]	(e) % of workers affected[3]	(f) relative magnitude[4]	(g) wage bill % increase[5,6]
$6.25 ($6.50)	10.2	1.28	.09	4.0	.50	.03
$6.50 ($6.75)	11.8	4.03	.29	6.7	1.84	.13
$6.75 ($7.00)	12.6	7.08	.50	7.3	3.60	.26
$7.00 ($7.25)	15.7	10.53	.75	9.5	5.65	.40
$7.25 ($7.50)	16.1	14.51	1.03	10.1	8.10	.57
$7.50 ($7.75)	18.3	18.81	1.34	12.0	11.04	.78
$7.75 ($8.00)	18.9	23.36	1.66	12.7	14.13	1.00
$8.00 ($8.25)	21.8	28.37	2.01	15.7	18.63	1.32
$8.25 ($8.50)	22.6	34.02	2.41	16.8	22.67	1.61

Notes:

1) The exemptions referred to in cols. e to g include: under 18, tipped employees, and less than three months experience with an employer, all as computed in table 2.

2) As for table 2, the data in this table are the annual averages for Manitoba in the year 2000. They may therefore be dated. At a 3% rate of inflation, it would be reasonable to assume that the percent of workers within a given category in 2001 would be earning roughly $.25 more as of October 2001. Thus, the bracketed wage levels are probably more accurate reflections of the likely effect of a given minimum wage as of October, 2000.

3) The "% of workers affected" is from table 2.

4) To compute the relative magnitudes in cols. c and f, it would be useful to know the average wage within each category. These data are not available (though they can be obtained from Statistics Canada), so it is assumed that the average wage of workers falling in between two wage levels (e.g., $7.00 and $7.25) is the average of these two levels (e.g., $7.125). Thus, if the minimum was raised to the higher of these two levels (e.g., $7.25), persons falling between them would on average receive an increase of $.125. This figure is then multiplied by the percentage of workers affected that would be in between the same two levels (e.g., for no exempts, 16.1%-

15.7% = .4% are between $7.00 and $7.25, so .4 X .125). The same is then done for every category (e.g., for those between 6.75 and 7.00, a $.375 increase is assumed if the minimum wage is raised to $7.25; this is then multiplied by 15.7 - 12.6 = 3.1). Finally, all of the calculations are added together to get the figure in cols. c and f (e.g., 14.51 for col. c, 8.10 for col. f).

5) To compute cols. d and g, I multiplied the Manitoba average hourly wage as of Nov. 2000 ($14.08) by 100. I then divided the col. c and f figures into this figure. Thus, for $7.25 ($7.50), I divided 14.51 and 8.10, respectively, into 1408.00.

6) **NOTE**: These figures may substantially over-estimate the actual wage bill effects. First, each category should be lowered by 1 cent (e.g., $7.00 to $6.99), for reasons outlined in note 4 of table 2. This means that the estimates in columns b and e may be too high. Second, and for similar reasons, the assumption that the average difference between categories is $.125 (see note 4) may be too high. This would mean that the estimates in col. c are too high as well. Third, there are a number of reasons why, even without these data limitations, the estimates may be too high if used to establish the likely effects of a minimum wage increase. For example, some employers may compensate for an increases by finding ways to cut wage costs, while others may seek ways to circumvent or simply violate the law. Finally, due to low unemployment, the rate of pay increase for low income earners should have outstripped our assumed growth rate of $.25 per year. For example, the most recent estimate of the average industrial wage indicates an increase of 4% between Nov. 2000 and April, 2001.

Some Observations.

1) The exemptions appear to be "worth" about $0.50. That is, the figures in the exemptions cols. for a given wage level (e.g., $7.25) are about the same as for a minimum wage level $.50 higher in the no exempts cols (e.g., $7.75).

Table 4

Percentage of the Workforce Affected by Alternative Min. Wage Levels, With and Without Exemptions: Sectoral Breakdowns

earnings categories 2000 (2001)	Manufacturing (14.8% of all jobs)			Retail (11.5% of all jobs)			Food Services & Restaurant (5.5% of all jobs)		
	% no exemptions		% all exemptions	% no exemptions		% all exemptions	% no exemptions		% all exemptions
	with tips & coms.	without tips & coms.		with tips & coms.	without tips & coms.		with tips & coms.	without tips & coms.	
$6.75 ($7.00)	3.9	3.9	3.2	23.4	27.9	13.7	50.2	70.0	31.9
$7.00 ($7.25)	7.3	7.3	5.6	30.1	34.7	16.9	60.1	74.0	40.2
$7.75 ($8.00)	11.1	11.1	8.8	39.1	42.0	26 6	68.9	80.0	49.7
$8.00 ($8.25)	15.3	15.3	12.7	45.1	49.3	30.2	76.5	83.7	57.0

earnings categories 2000 (2001)	Accommodation (1.6% of all jobs)			Garment Manufacturing (1.1% of all jobs)			Agriculture (1.6% of all jobs)		
	% no exemptions		% all exemptions*	% no exemptions		% all exemptions	% no exemptions		% all exemptions*
	with tips & coms.	without tips & coms.		with tips & coms.	without tips & coms.		with tips & coms.	without tips & coms.	
$6.75 ($7.00)	34.7	53.3	31.8	28.6	28.6	28.6	20.0	20.0	13.4
$7.00 ($7.25)	42.7	57.7	37.7	40.8	40.8	40.8	27.0	27.0	16.3
$7.75 ($8.00)	48.0	64.0	33.3	49.0	49.0	49.0	32.4	32.4	17.5
$8.00 ($8.25)	57.3	69.3	46.0	61.2	61.2	61.2	39.2	39.2	24.0

earnings categories 2000 (2001)	Fishing* (0.1% of all jobs)		
	% no exemptions		% all exemptions
	with tips & coms.	without tips & coms.	
$6.75 ($7.00)	13.3	13.3	13.3

$7.00 ($7.25)	15.9	15.9	15.9
$7.75 ($8.00)	19.5	19.5	19.5
$8.00 ($8.25)	21.2	21.2	21.2

Notes: * = Canada wide data are substituted due to lack of available Manitoba data.
See table 2 for remaining explanatory notes.

Some Observations

Note: The data in this table apply to sectors believed to be potentially sensitive to a substantial increase in the minimum wage. However, they do not include all such sectors, and it may thus be worthwhile to expand the table to include additional sectors (e.g., hair dressing, security). They also do not allow for the percentage wage costs are of total costs in each sector. To the extent that these are low (high), a given percentage of workers affected is likely to have less (more) substantial implications for employer costs. Moreover, the ability of employers to accommodate an increase in the minimum wage will depend on a variety of considerations, including how price sensitive the demand is for a sector's main product or service, the ability to substitute capital for labour, and so forth.

All estimates are subject to the same (or greater) limitations as for the aggregate data (see notes to table 2). They also address only the percent of workers affected, not the wage bill increase.

1) The **manufacturing sector**, which accounts for **14.8%** of all jobs in Manitoba, would only be slightly affected by a substantial increase in minimum wage. Only 1 in 7 (15.3%) earns $8.25 or less. Age and experience exemptions would lower this number to 1 in 8 (12.7%) The Manitoba data were insufficient to calculate the implications of a tip differential, but the Canada-wide data indicate that it would lower these figures by no more than .2%.

2) The **retail sector**, which accounts for **11.5%** of all jobs in Manitoba, might be substantially affected: almost half (45.1) earn $8.25 or less *including* tips and commissions. If it is assumed that half of those receiving tips earn a fixed wage that is at or below $8.25, this figure increases to almost exactly half (49.3%) after tips are excluded. Tipping, age, and experience exemptions would lower this substantially, to 3 in 10 (30.2%) workers.

3) The **food services and restaurant sector**, which accounts for **5.5%** of all jobs in Manitoba, might be substantially affected: three quarters of all workers (76.5%%) earn $8.25 or less *including* tips. If it is assumed that all tipped workers in this sector have a fixed hourly wage of below $7.00, 5 out of every 6 (83.7%) earns $8.25 or less.

It is striking in this regard that, contrary to the 1993 Ontario government study referred to by the CRFA, tipped employees tend to be low paid even when tips are factored in: only half (48.8%) make over $7.00 with tips included, only one third (31.1%) make over $8.00, and fewer than 1 in 6 (15.2%) makes over $10.00 (not reported in table). In addition, only a third (33.1%) of the employees in this sector are reported as even receiving tips. If these figures are to be believed, they may mean that a tipping exemption might reduce the impact of higher minimum wage levels on this sector only marginally: 1 out of every 5 workers (19.1%) would be exempted at $7.00, 1 out of every 9 (11.6%) at $8.00.

There is reason to believe, however, that tipped earnings tend to be under-reported, because: (1) workers may understate their tipped income for fear that (somehow) Revenue Canada will have access to the LFS data; (2) proxy respondents (individuals responding on behalf of an employed

household member) may not be aware of the magnitude of tips received or even whether they are received. Although there is no direct evidence as to the former possibility, LFS data do indicate that only 31% of proxy respondents report a tip or commission, compared to 40% for non-proxy respondents (communication with Geoff Bowlby, Stats Cda).

4) The **accommodations sector**, which accounts for **1.6%** of all jobs in Manitoba, might be substantially affected: almost three in five (57.3%) earn 8.25 or less *including* tips. If it is assumed that all of those receiving tips earn a fixed wage that is at or below $7.00, 7 in 10 (69.3%) earn $8.25 or less. Tipping, age, and experience exemptions would lower this number to slightly less than half (46%) (where small sample sizes prevent estimation of these numbers, Cda. wide data were substituted).

5) The **agricultural sector**, which accounts for **1.6%** of all jobs in Manitoba, would be only moderately affected: 2 out of every 5 (39.2%) earn $8.25 or less, but exemptions would lower this to 1 in 4 (24.0%). Of note, only 1 in 10 (11 %) of the workers in this sector earned $6.00 or less as of 2000 (not reported in table), which was the minimum wage at that time. This suggests that inclusion of the agricultural sector under the current minimum wage laws would have only a small effect.

6) The **garment manufacturing sector**, which accounts for **1.1%** of all jobs in Manitoba, might be substantially affected by a minimum wage increase: 3 in 5 (61.2%) earn $8.25 or less. It appears that exemptions would make little difference: even in the Canada wide data, the numbers affected are too small to be reported.

7) The Manitoba data are not sufficient to establish the proportions workers at various wage levels in the **fishing sector** or the proportion of the labour force accounted for by this sector. But the Canada-wide data indicate that this sector would not likely be seriously affected: less than 1 out of every 5 (21.2%) earns $8.25 or less. Even the Canada-wide data are insufficient to allow for calculation of the effect of exemptions.

Table 5

Years Required to Achieve the Adjusted LICO Under Different Yearly Increments

	adj. LICO, assuming 3% annual increases	differing annual increments after the A.L.L. has been reached		
		$0.40 per yr.	$0.45 per yr.	$0.50 per yr.
to A.L.L.				
Oct., 2001	8.13	6.25	6.25	6.25
Oct., 2002	8.37	7.00 (12.0%)	7.00 (12.0%)	7.00 (12.0%)
to adj. LICO				
Oct., 2003	8.63	7.40 (5.7%)	7.45 (6.4%)	7.50 (7.1%)
Oct., 2004	8.88	7.80	7.90	8.00 (6.7%)
Oct., 2005	9.15	8.20	8.35	8.50 (6.3%)
Oct., 2006	9.42	8.60	8.80	9.00 (5.9%)
Oct., 2007	9.70	9.00	9.25	9.50 (5.6%)
Oct., 2008	9.99	9.40	9.70	10.00 (5.3%)
Oct., 2009	10.29	9.80	10.15	
Oct., 2010	10.61	10.20	10.60 (4.4%)	
Oct., 2011	10.92	10.60		
Oct., 2012	11.25	11.00		
Oct., 2013	11.59	11.40		
Oct., 2014	11.93	11.80		
Oct., 2015	12.29	12.20 (3.4%)		

NB. Figures in brackets represent the percent increase over the preceding year. They are not adjusted for inflation.